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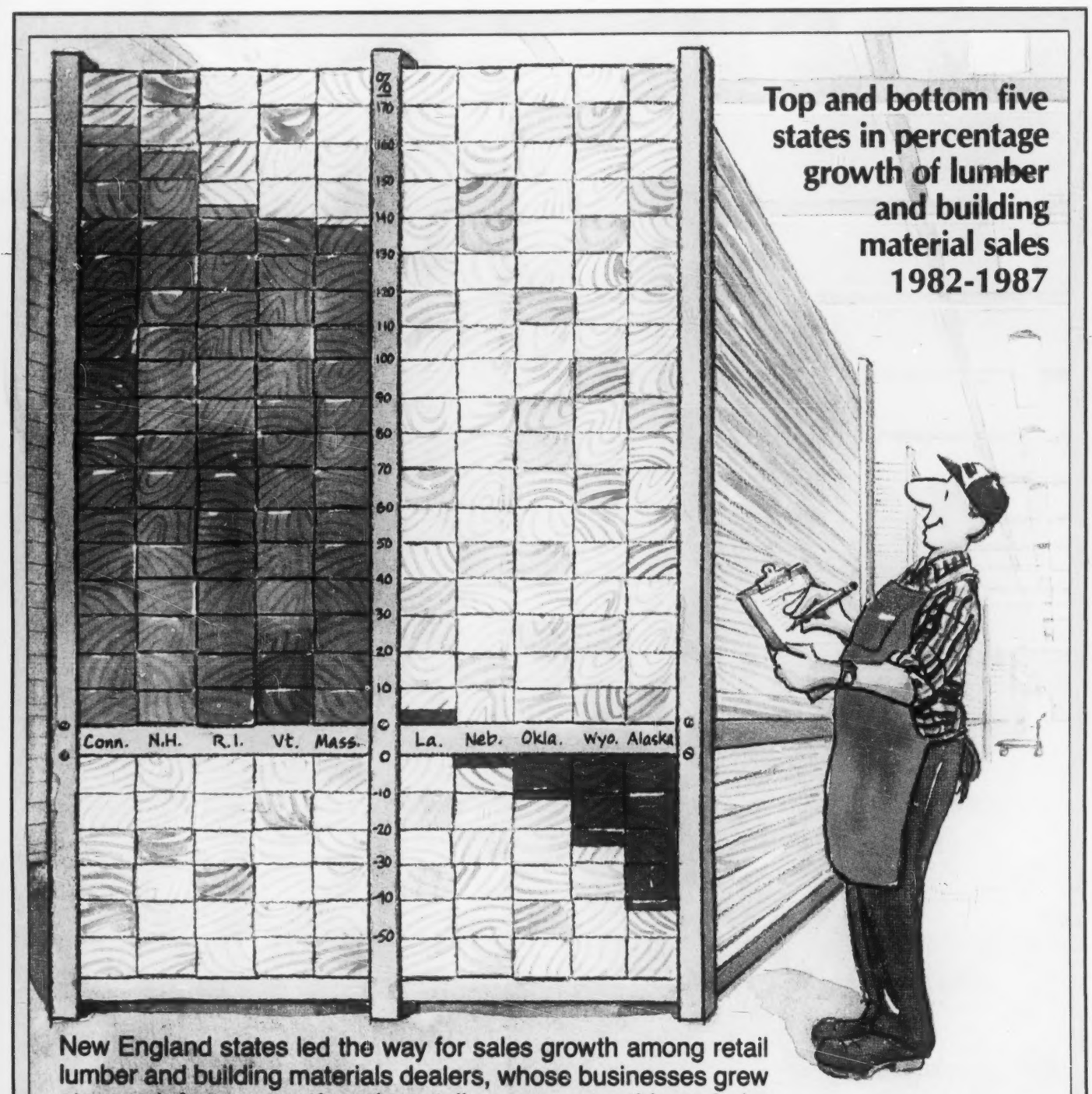

Top and bottom five states in percentage growth of lumber and building material sales 1982-1987
Conn.
N.H.
R.I.
Vt.
Mass.
La.
Neb.
Okla.
Wyo.
Alaska
New England states led the way for sales growth among retail lumber and building materials dealers, whose businesses grew at a much faster pace than the retail average over this period.
Source: U.S. Department of Commerce

Most home centers lack preparedness when disasters hit

By Tom Neven

NATIONAL REPORT — With D-Day-like planning, Pelican Building Centers was able to keep open all 11 of its stores in the Carolinas right up to the minute Hurricane Hugo hit in September, and reopened for business the very next morning despite damage to some of its units.

But the suddenness of the earthquake that rocked northern California foiled most dealers' contingency plans, if they had any at all. "You just run," said Jerry Burke, manager at Pleasure Point Lumber in Santa Cruz, Calif., about his company's response to last month's tremor.

Independents and chains recover from Hurricane Jerry and San Francisco earthquake—see page 73

The recent rash of disasters to hit the U.S. has dealers nationwide thinking twice about their capability to react quickly when their businesses and markets are in distress.

Some, like Pelican, exercise military precision in protecting their stores, property and sales. More typically, though, dealers are like Carolina Building Materials in Charlestown Heights, S.C., which "just bring inside everything that might blow away," according to general manager Mike Vaughn.

How much warning?

A dealer's preparedness often depends on the likelihood of a disaster striking. "We've been so fortunate for so many years, we've been kind of lax [on planning]," explained Hal Davis,

(Continued on page 73)

Building materials dealers among growth leaders in 5-year retail sales census

Building supply retail segment gains 1,300 units but 900 hardware stores disappear

By an NHCN staff editor

WASHINGTON — Retail sales generated by lumber and building materials stores, as defined by the Census Bureau, grew by more than 75 percent between 1982 and 1987 to $55.3 billion, according to the *Census of Retail Trade*, issued every five years by the Department of Commerce and released last month.

Revenues from some 27,500 lumber and building materials outlets—an increase of around 1,300 since 1982—expanded at a more rapid pace than the 50 percent growth, to $1.5 trillion, realized in this time frame by the 1.5 million stores in all retail sectors.

In contrast, over that same five years, the retail hardware industry lost 863 stores, and its remaining 20,059 units in 1987 generated $10.5 billion in sales, a 26.4 percent increase in the half-decade.

The Census Bureau began in 1967 to distribute its data on the state of retailing in five-year intervals. Since its last report, issued for the period 1977-1982, the number of full- and part-time employees working in all retailing groups expanded by 23 percent to nearly 17.8 million in 1987.

Based on these figures, it would appear that dealers are manning their stores more aggressively, perhaps to improve customer service, because the actual number of outlets over the latest five-year reporting term increased by only 5.7 percent.

California by far and away generated the greatest amount of retail business: in 1987, it accounted for 12 percent of the U.S. total, almost double New York's 6.9 percent.

(Continued on page 58)

Robertson's prefers the unusual for its ads and promotions

By Tim O'Malley

ROSEAU, Minn. — You might say the success of Robertson Lumber's new building supply outlet here is in the bag. The nail bag, that is.

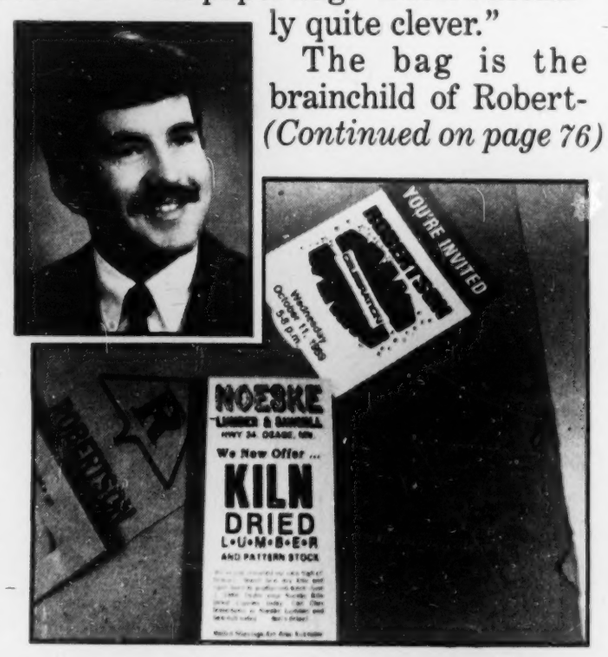
To announce its store's grand opening on Oct. 11, the company mailed 450, 11x5-inch brown paper bags, complete with Robertson's green and red trademark. Each bag was labeled, postmarked and sent first class; a card inside gave pertinent details to party goers.

Not surprisingly, the offbeat notices went over big with the Postal Service, the Roseau Chamber of Commerce and, naturally, invitees themselves. Everyone got a chuckle, not a single person overlooked it as junk mail and the turnout at the party was exceptionally good—about 300 people.

"This is a riot," one party goer is quoted as saying about the paper bag. "But it's actually quite clever."

The bag is the brainchild of Robert-

(Continued on page 76)



These two offbeat pieces are examples of Robertson's ad director Daniel Messmer's (inset) dislike for humdrum promotions. Inset photo courtesy Robertson's

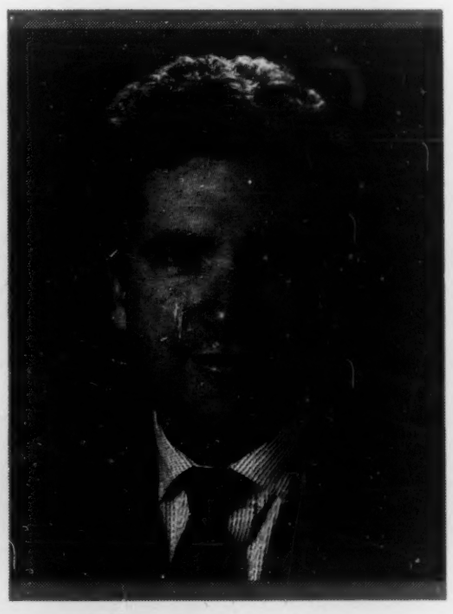
EDITORIAL

Show offers glimpses of partnership

Maybe there's hope.

Just when industry partnership seems harder to achieve than *glasnost*, along comes another event that reaffirms the cause.

This time it was the North American Hardware Convention, which took place last month in Boston. Its success is full of irony and indicates how unexpected are some of the bends in the road.



Ken Schept
NHCN Editor

SCENE ONE: It's the first afternoon of the convention and a hotel meeting room is transformed, with curtains and draped tables, into a series of aisles and booths. The place is packed.

Stationed in the booths are representatives from more than 60 different hardware wholesalers. The aisles are clogged with manufacturers making the rounds.

Every 10 minutes a bell signals the end of a meeting period and manufacturers move to their next appointments.

That's right, the manufacturers are doing the walking.

SCENE TWO: It's the second day of the convention. The set is the same but the characters have switched sides. The arrangement is more traditional as manufacturers now occupy the booths.

The symmetry of scenes one and two is probably more than incidental. It symbolizes equality between wholesaler and manufacturer. And equality is a prerequisite to any healthy partnership.

Ironically, this condition was achieved at an event that developed from the dissolution of a partnership between a trade association representing wholesalers and another made up of manufacturers.

While cooperation continues between the two associations, the change in show sponsorship may have freed wholesalers to be stronger, and therefore more willing, partners.

Actually, both wholesalers and manufacturers are addressing many of the same issues.

The National Wholesale Hardware Association, which sponsored the convention, is developing programs in which members work together to address needs such as technology and employee education.

Manufacturers were exhorted to address the same concerns by Dave Marth, chairman of the American Hardware Manufacturers Association, the group that until last year co-sponsored the convention.

Marth spoke during a breakfast meeting on the convention's second day. He argued that America's mass market is changing dramatically, and that members of our pluralistic society are looking for innovative and specialized products. However, U.S. manufacturers are, generally, not yet prepared to provide the required product diversity and quick response.

Advanced technology and an educated workforce are needed to meet the challenge, said Marth. While some progress is being made, he argues that it's not rapid enough to keep America competitive in a worldwide market.

Marth predicts that America's window of opportunity will shut in 10 years.

The message is sobering. Rationally improving our technology and educating our people are critical goals. The need to accomplish them in only a single decade may be the strongest argument yet for industry partnership.

—Ken Schept

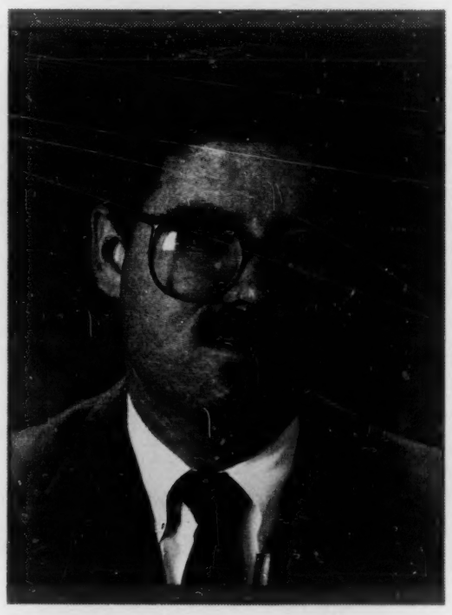
COMMENTARY

Be prepared before the ground shakes

What a month!

Hurricane Hugo virtually levels areas of North and South Carolina, leaving more than half a million people homeless and more than $2 billion in damages in its wake.

An earthquake on Oct. 17 rocks the San Francisco-San Jose area, kills at least 60 people, injures another 1,500, leaves thousands more either homeless or without vital services like electricity and water, and causes more than $7 billion in damages to homes, bridges, shopping malls and streets.



John Caulfield
NHCN Executive Editor

Tremors of a different register shook Wall Street four days earlier when, two years after a 509-point plummet, the Dow Jones Industrial Average collapsed by 190 points on a Friday, giving millions of investors a bad case of the weekend shakes.

You don't have to be a Calvinist to see these acts of God and speculators as warnings: Be prepared.

This motto, though, is usually easier for Boy Scouts to follow than people faced with the increasingly common occurrence of the unexpected. So the best most of us can hope for is to manage those things within our control to minimize potential risk.

But like some of the 80 percent of San Franciscan homeowners who now wish they had shelled out the $6,000 in yearly premiums for earthquake insurance, many home improvement dealers take a fatalistic approach toward their businesses: I'll deal with a crisis when it falls on top of me. Until then, hey, I'm busy!

That attitude is fine in peacetime. But there are a lot of minefields in the home improvement war zone just waiting to be stepped on by the dealer blind enough to believe his stores are shockproof.

Belligerent competition, product liability, mounting debt, larcenous employees and customers, escalating overhead, even temporary loss of business due to catastrophes such as fire, flood or earthquake—these are the potential "disasters" that can debilitate a dealer naked of safeguards or contingency plans. That so few heed the call for action, though, is proven by the alarming number of home improvement retailers and wholesalers whose companies seem to be hanging precipitously by their fingernails.

The events of the past month force all of us to take stock and realize just how dangerous and unpredictable the cold, hard world can be. They also demonstrate how fruitless man's best-laid plans can be in the face of natural, uncontrollable forces.

But the fact is that preparedness, in the form of tough building codes, saved most of the structures in San Francisco and surrounding towns. A cautious post-Crash mentality and a proactive Federal Reserve Board kept Wall Street from falling farther into the abyss this time around.

Dealers need to disabuse themselves of the notion that threats to their businesses are unlikely or remote. Long-range planning that addresses competition *before* it arrives, overhead *before* it spirals upward, manpower *before* shortages arise, has to be built into any dealer's business strategy.

There's not much one can do once the ground underneath starts shakin'. But the sturdiness of what you're standing on when that happens is up to you.

—John Caulfield

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"The stockholders have ordered that we cut our board membership in half. You will now choose up sides for a tug-of-war."

Retail lumber, building material sales post large 5-year gains

(Continued from page 1)

But the New York metropolitan area—which, for the Census Bureau's purpose, includes New Jersey and Connecticut—ranked first as the area with the highest retail sales: $113.5 billion, or 7.6 percent of the U.S. total. This metro region surpassed the Los Angeles-Anaheim-Riverside, Calif., metro market that was the largest in retail sales in 1982.

Market share growth

The growth in retail volume these and other areas realized was attributable partially to the solid performance of the home improvement sector. In fact, building material and garden supplies stores, which are grouped together under SIC Code 52, produced 5.5 percent of all retail sales in this country in 1987, compared to 4.8 percent five years earlier.

This 14.5 percent gain in market share was greater than in any other retailing segment except auto dealers, whose retail sales rose 21.9 percent and now account for more than 23 percent of all U.S. retail volume.

Comparing the 1987 Census Bureau report with its 1982 counterpart gives the reader some insight into the components of retail home improvement expansion. For example, sales per store for lumber and building materials stores grew to $2.01 million in 1987 from $1.2 million in 1982. For hardware stores, sales per unit increased to $525,197 from $398,398.

Productivity up

Employee productivity also improved for both segments over this period. A typical lumber and building materials dealer increased his work force to nearly 14 employees (from 10 in 1982) and got $145,490 per employee in 1987. A hardware dealer typically employed around seven workers in 1987 (compared to six five years earlier) and got $76,417 per employee.

In 1982, those sales-per-employee figures, respectively, were $118,751 and $65,651.

In 1987, there were 20 states whose retail lumber and building materials stores generated more than $1 billion in sales, compared to seven states five years earlier. And hardware stores in two states—California and New York—did an aggregate of more than $1 billion annually in 1987. In 1982, no state got $1 billion from its hardware stores.

The New York metropolitan area led the country in both retail hardware and building materials volume. Its 2,112 lumber and building product stores did an estimated $4.2 billion and the area's 1,352 hardware units produced $704 million.

	State 1982	LBM Sales 000		State 1987	LBM Sales 000
1.	California	$3,062,047	1.	California	$6,033,734
2.	Texas	2,675,960	2.	New York	3,490,817
3.	New York	1,627,329	3.	Florida	3,277,563
4.	Florida	1,609,473	4.	Texas	2,762,556
5.	Pennsylvania	1,419,406	5.	Pennsylvania	2,678,946
6.	Illinois	1,156,744	6.	Ohio	2,128,800
7.	Ohio	1,094,001	7.	Illinois	2,098,415
8.	Michigan	995,323	8.	North Carolina	2,055,392
9.	North Carolina	967,069	9.	Michigan	1,979,806
10.	New Jersey	951,496	10.	New Jersey	1,962,352
11.	Georgia	853,132	11.	Massachusetts	1,888,237
12.	Massachusetts	799,177	12.	Georgia	1,716,498
13.	Minnesota	768,952	13.	Virginia	1,652,363
14.	Virginia	743,304	14.	Minnesota	1,296,554
15.	Louisiana	667,183	15.	Indiana	1,250,464
16.	Indiana	662,538	16.	Maryland	1,221,608
17.	Colorado	662,405	17.	Connecticut	1,206,990
18.	Missouri	658,549	18.	Missouri	1,133,303
19.	Oklahoma	601,959	19.	Tennessee	1,115,388
20.	Wisconsin	589,217	20.	Wisconsin	1,108,267
21.	Maryland	577,284	21.	South Carolina	899,185
22.	Tennessee	556,854	22.	Alabama	866,411
23.	Washington	553,247	23.	Washington	857,353
24.	Iowa	504,199	24.	Kentucky	775,941
25.	Alabama	475,409	25.	Colorado	738,488
26.	South Carolina	462,670	26.	Louisiana	688,147
27.	Connecticut	450,772	27.	Arizona	648,848
28.	Kentucky	450,511	28.	New Hampshire	582,754
29.	Kansas	423,597	29.	Arkansas	573,675
30.	Arizona	399,194	30.	Iowa	568,293
31.	Oregon	343,587	31.	Oregon	537,616
32.	Arkansas	322,972	32.	Kansas	537,521
33.	West Virginia	319,078	33.	Oklahoma	529,734
34.	Nebraska	296,408	34.	West Virginia	453,872
35.	Mississippi	294,510	35.	Maine	438,993
36.	Alaska	280,033	36.	Mississippi	427,206
37.	New Mexico	257,418	37.	New Mexico	319,941
38.	New Hampshire	225,346	38.	Utah	301,695
39.	Utah	216,036	39.	Rhode Island	298,124
40.	Maine	204,122	40.	Nebraska	290,999
41.	North Dakota	154,105	41.	Nevada	290,148
42.	Idaho	150,872	42.	Vermont	273,145
43.	Montana	150,270	43.	Delaware	219,365
44.	South Dakota	127,716	44.	Idaho	171,563
45.	Nevada	123,468	45.	North Dakota	168,872
46.	Rhode Island	122,474	46.	Alaska	164,345
47.	Wyoming	117,513	47.	Hawaii	158,328
48.	Vermont	113,556	48.	Montana	158,148
49.	Hawaii	103,042	49.	South Dakota	145,794
50.	Delaware	NA	50.	Wyoming	89,066
	Total	**31,451,185**		**Total**	**55,231,623**

Source: U.S. Dept. of Commerce *NHCN chart*

Retail lumber and building material sales leapt by over 75 percent from 1982-1987

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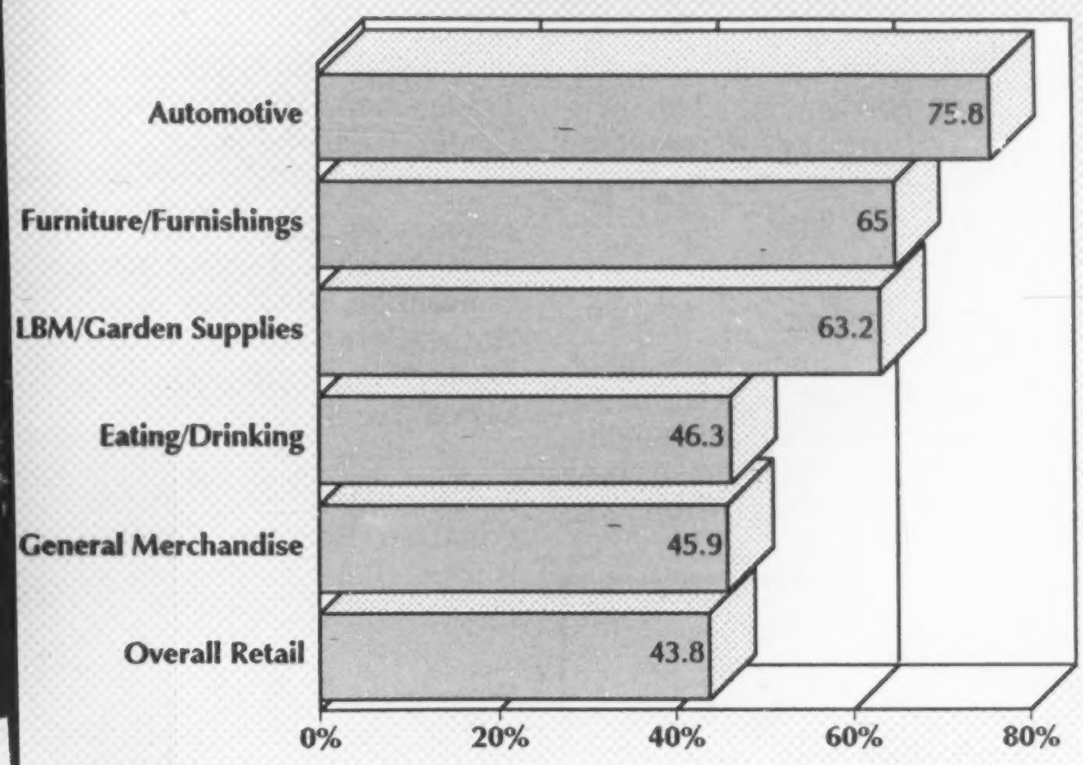
Top 5 Retail Categories Percent Change in Sales

1982 to 1987



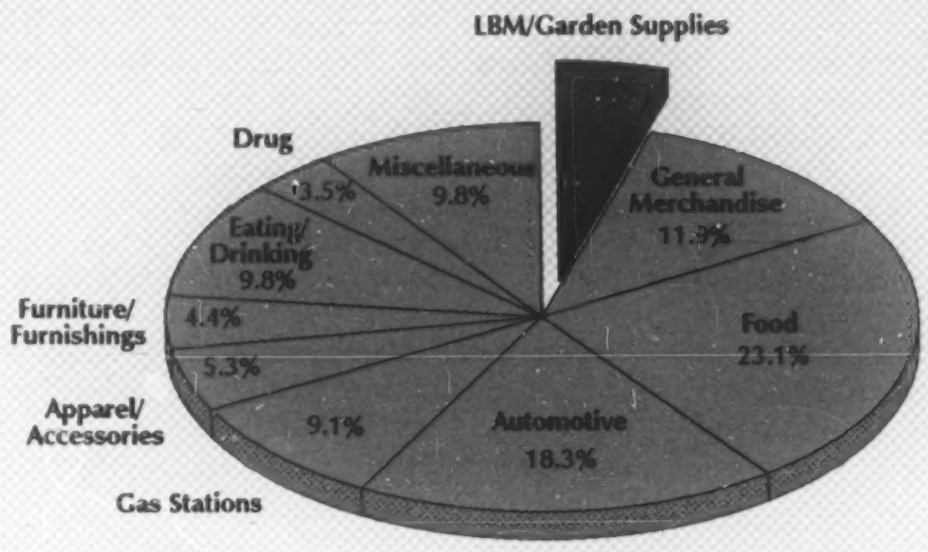
Source: U.S. Dept. of Commerce NHCN chart

Retail lumber and building material sales have posted the third largest percentage gain in sales from 1982 to 1987 at 63.2 percent (chart above), well ahead of the overall average retail gain of 43.8 percent. The Commerce Department study contained other good news: the second largest gainer was furniture and furnishings—up 65 percent over the five years—two categories easily taken advantage of by home center dealers.

As a percent of total retail sales, lumber and building materials showed an impressive 14.5 percent gain, surpassed only by automotive sales. Furniture and furnishings retail sales grabbed a 13.6 percent increase in the overall pie over the five years (charts right).

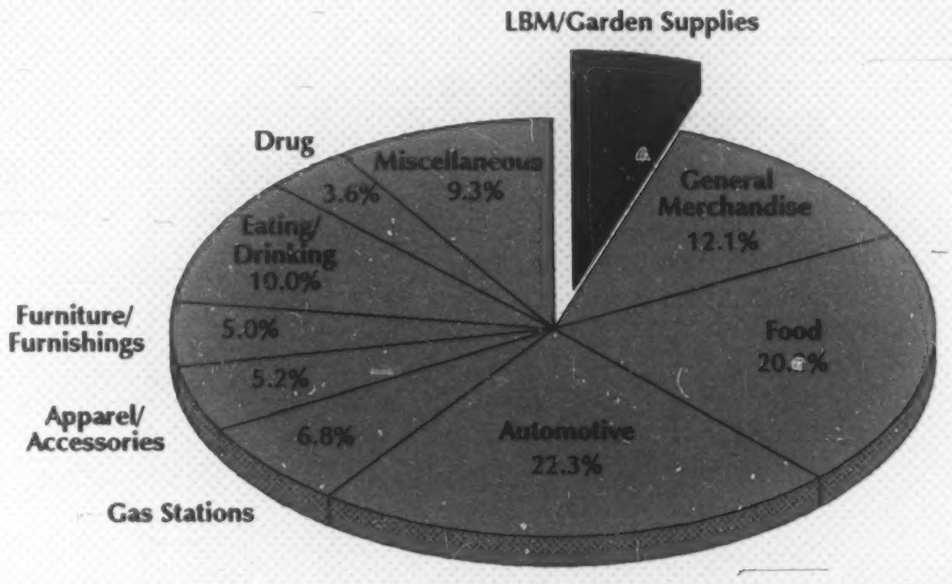
Percent of Total Retail Sales by Selected Kinds of Businesses

1982



Source: U.S. Dept. of Commerce *NHCN* chart

1987



Source: U.S. Dept. of Commerce *NHCN* chart

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